



**[Docket No. FR-5654-N-04]**

## **Section 8 Housing Assistance Programs Management and Occupancy Review Schedule**

**AGENCY:** Office of the Assistant Secretary for Housing – Federal Housing Commissioner.

**ACTION:** Notice.

**SUMMARY:** Through this Notice, the Federal Housing Administration (FHA) establishes the Management and Occupancy Review (MOR) schedule for projects assisted under each of seven project-based Section 8 programs administered by the Office of Multifamily Housing Programs. The MOR schedule establishes a frequency for the completion of MORs based upon a project's previous MOR score and the project's rating under HUD's risk-based asset management model. This Notice follows the January 14, 2015, publication of a proposed MOR schedule, on which HUD sought public comments. It adopts a final schedule that reflects changes made in response to such comments.

**DATES:** The MOR schedule is effective **[INSERT DATE THAT IS 90 DAYS AFTER THE DATE OF PUBLICATION IN THE FEDERAL REGISTER.]**

**FOR FURTHER INFORMATION CONTACT:** Jennifer Lavorel, Director, Program Administration Office, Office of Multifamily Asset Management, Office of Housing, Department of Housing and Urban Development, 451 7th Street, SW, Washington, DC 20410–7000; telephone number 202-402-2515 (this is not a toll-free number). Hearing- and speech-impaired persons may access this numbers through TTY by calling the Federal Relay Service at 800-877-8339 (this is a toll-free number).

### **SUPPLEMENTARY INFORMATION:**

#### **I. Background**

On January 14, 2015, HUD published the “Section 8 Housing Assistance Programs Proposed Management and Occupancy Review Schedule” (MOR Notice) (80 FR 1930) to solicit public comments on HUD's proposed MOR schedule. The proposed MOR schedule was

published concurrently with a Proposed Rule (80 FR 1860) that sought to amend HUD's regulations governing seven project-based Section 8 Housing Assistance Payment (HAP) programs administered by the Office of Multifamily Housing Programs to provide for consistency across the programs with respect to the frequency of MORs and to authorize HUD to establish by Federal Register Notice, subject to public comment, an MOR schedule based on a project's annual MOR score and its rating under HUD's risk-based management model.

The seven programs addressed in the Proposed Rule and subject to the MOR schedule are the HAP program for New Construction (24 CFR part 880) and the HAP program for Substantial Rehabilitation (24 CFR part 881), which provide rental assistance in connection with the development of newly constructed or substantially rehabilitated privately owned rental housing; the HAP Program for State Housing Agencies (24 CFR part 883), which applies to newly constructed or substantially rehabilitated housing financed by state agencies; the HAP program for New Construction financed under Section 515 of the Housing Act of 1949 (24 CFR part 884), which applies to U.S. Department of Agriculture rural rental housing projects; the Loan Management Set Aside Program (24 CFR part 886, subpart A), which provides rental subsidies to HUD-insured or HUD-held multifamily properties experiencing immediate or potential financial difficulties; the HAP for the Disposition of HUD-Owned Projects (24 CFR part 886, subpart C), which provides Section 8 assistance in connection with the sale of HUD-owned multifamily rental housing projects and the foreclosure of HUD-held mortgages on rental housing projects; and the Section 202/8 Program (24 CFR part 891, subpart E), which provides assistance for housing projects serving the elderly or households headed by persons with disabilities.

HUD's risk-based asset management model incorporates both qualitative and quantitative elements into a comprehensive property-level rating. This rating translates to a classification (hereafter referred to as a "risk-based classification") of "Troubled," "Potentially Troubled," or "Not Troubled."

Elsewhere in this issue of the Federal Register, HUD publishes a Final Rule that adopts with no substantive changes the portions of the Proposed Rule that provide for consistency across the seven above-described programs with respect to the frequency of MORs. As required pursuant to this Final Rule, HUD sets forth by publication of this Federal Register Notice an MOR schedule for projects assisted under such programs, taking into account public comments received on the proposed MOR schedule.

## **II. Proposed MOR Schedule**

The proposed schedule was as follows:

(1) A project with a “Below Average” or “Unsatisfactory” score on the previous MOR and a risk classification of “Troubled,” “Potentially Troubled,” or “Not Troubled” would have an MOR within 12 months of the previous MOR conducted at the project;

(2) A project with a “Satisfactory” score on the previous MOR and a risk classification of “Troubled” or “Potentially Troubled” would have an MOR within 24 months of the previous MOR conducted at the project. Additionally, a project with an “Above Average” or “Superior” score on the previous MOR and a risk classification of “Troubled” would have an MOR within 24 months of the previous MOR conducted at the project; and

(3) A project with a “Satisfactory” score on the previous MOR and a risk classification of “Not Troubled” would have an MOR within 36 months of the previous MOR conducted at the project. Additionally, a project with an “Above Average” or “Superior” score on the previous MOR and a risk classification of “Potentially Troubled” or “Not Troubled” would have an MOR within 36 months of the previous MOR conducted at the project.

HUD received 23 public comments on the Proposed Rule and 16 public comments on the proposed MOR schedule from management associations, public housing authorities, homebuilders’ associations, residents of public housing, and other interested parties. Given the overlap between the public comments received on the Proposed Rule and the proposed MOR schedule, HUD provides a detailed discussion of all significant comments in the preamble to the

Final Rule.

### III. Final Notice

HUD has made changes to the final MOR schedule based on comments on the proposed MOR schedule. As of the effective date of this Notice, the MOR schedule for projects assisted under the seven project-based Section 8 programs administered by the Office of Multifamily Housing Programs is as follows:

(1) A project must have an MOR within 12 months of its previous MOR if—

(a) it has a risk classification of “Troubled” or “Potentially Troubled” without regard to its MOR score, or;

(b) it has a risk classification of “Not Troubled” and an MOR score of “Unsatisfactory” or “Below Average.”

(2) A project must have an MOR within 24 months of its previous MOR if it has a risk classification of “Not Troubled” and an MOR score of “Satisfactory.”

(3) A project must have an MOR within 36 months of its previous MOR if it has a risk classification of “Not Troubled” and a previous MOR score of “Above Average” or “Superior.”

The schedule is summarized in the table below.

<b>Previous MOR:</b>	Unsatisfactory	Below Average	Satisfactory	Above Average	Superior
	<i>Next MOR must be conducted within...</i>				
<b>Risk Classification:</b> Troubled	12 months of previous MOR	12 months of previous MOR	12 months of previous MOR	12 months of previous MOR	12 months of previous MOR
<b>Risk Classification:</b> Potentially Troubled	12 months of previous MOR	12 months of previous MOR	12 months of previous MOR	12 months of previous MOR	12 months of previous MOR
<b>Risk Classification:</b> Not Troubled	12 months of previous MOR	12 months of previous MOR	24 months of previous MOR	36 months of previous MOR	36 months of previous MOR

Either HUD or the respective contract administrator (CA) may conduct an MOR outside of this schedule as warranted based on project-level circumstances (for example, if a project’s risk profile has worsened; note HUD requires an MOR within 6 months of a change in ownership

or management irrespective of a project's performance-based MOR schedule). All scheduling of MORs is subject to the availability of appropriations for CA services, constraints on HUD staffing, the status of government operations, and whether a disaster declaration is in effect for the area in which a property is located. For any property with a previous MOR score of "Satisfactory" or better, HUD may opt to defer scheduling for up to 90 days from the date established pursuant to this schedule in order to balance workload. Deferred scheduling may be approved by CAs or vendors under HAP support services contracts only with prior approval from HUD.

HUD suggests that owners provide copies of completed MORs to tenant organizations upon request, after redacting any personally identifiable information.

#### **IV. Findings and Certifications**

##### **Paperwork Reduction Act**

The information collection requirements for this Notice have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control number 2502-0178. The Department is amending the collection requirement to reflect this Notice's reduced burden. In accordance with the Paperwork Reduction Act, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information, unless the collection displays a currently valid OMB control number.

##### **Environmental Review**

This Notice provides operating instructions and procedures in connection with activities under provisions of Section 8 project-based assistance program regulations that have been the subject of a required environmental review. Accordingly, under 24 CFR 50.19(c)(4), this Notice is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

**Julia R. Gordon,**

*Assistant Secretary for Housing – Federal Housing Commissioner.*

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